

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

The Peoples Gas Light and Coke Company)	
)	
Proposal to revise Riders SVT, AGG,)	01-0470
Rider 2, Terms and Conditions, and Table)	
Of Contents)	

Direct Testimony of
Becky Merola
On Behalf of The New Power Company

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TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	BILLING ISSUES	4
A.	Single-Billing By Suppliers	4
B.	Single Bill Tariff.....	10
C.	Other Billing Issues.....	11
III.	PROPOSED ADMINISTRATION AND RATE DESIGN OF THE CHOICES FOR YOU PROGRAM	12
A.	Enrollment Limits	13
B.	Minimum Stay Requirements	16
C.	Grace Period.....	18
D.	Rider AGG	20
1.	Application Fee.....	20
2.	Monthly Aggregation Fee	22
3.	Customer Pool Activation Charge	23
4.	Storage Issues.....	24
5.	Operational Integrity Provision.....	25
IV.	UNIFORM BUSINESS RULES	26
V.	CONCLUSION.....	27
	Summary of Recommendations.....	27

I.

INTRODUCTION

Q. Please state your name and business affiliation and address and describe your background.

A. My name is Becky Merola. I am a Director of State Government Affairs for the New Power Company (New Power"). My business address is 6418 Wynwright Drive, Dublin, OH 43016. I currently represent the New Power Company's regulatory positions before state agencies and legislatures. I am currently responsible for market restructuring, maintenance and broad gas and electric policy and advocacy in the states of Ohio, Massachusetts, Indiana, Illinois, and Michigan. Prior to my current position, I served as Director, US Canada Government Affairs for Enron Corp., Enron North America, Clinton Energy, and Enron Energy Services in the states of Ohio, Kentucky, Iowa, Minnesota, Massachusetts, Maine and Kansas. I was also National Accounts Manager for commercial as well as industrial fortune 500 accounts with Enron Gas Services and Enron Capital & Trade. Since 1994, I have actively participated in collaboratives, as well as negotiated settlements, and proceedings involving the unbundling of natural gas and/or electricity services in the states of New Jersey, Maryland, Massachusetts, and Ohio. I have participated in gas proceedings before the Federal Energy Regulatory Commission and in the states of Kentucky, California, Virginia, Pennsylvania, Michigan, Illinois, Oklahoma, Iowa, Maine, New York, Minnesota, and Louisiana.

23 **Q. On whose behalf are you testifying?**

24 A. I am testifying on behalf of the New Power Company ("New Power"). New
25 Power was formed by Enron Corp. in November, 1999. In its brief existence,
26 New Power has become a leading national provider of electricity and natural gas
27 serving residential and small commercial customers in the deregulated United
28 States marketplace. New Power offers customers in restructured retail energy
29 markets competitive energy prices, flexible payment and pricing choices,
30 improved customer service, and other innovative products, services, and
31 incentives.

32
33 **Q. Please explain New Power's experience in the energy industry.**

34 A. New Power's experience in serving residential and small commercial customers is
35 unparalleled in the competitive energy industry. New Power is currently
36 operational in eighteen (18) different markets, including markets in New Jersey,
37 Pennsylvania, Texas, Ohio, California, Georgia, Indiana, Maryland, and
38 Michigan. In those markets, New Power is providing natural gas and/or
39 electricity service to approximately 700,000 residential and small commercial
40 customers. This experience provides New Power with the unique viewpoint of
41 having seen what works and what does not work in restructured markets.

42
43 **Q. What is New Power's interest in the instant proceeding?**

44 A. New Power now is looking at the possibility of entering into the Illinois natural
45 gas market. However, without modifications and revisions to the proposed tariffs,
46 residential and small commercial customers will be deprived of the benefits that

47 suppliers like New Power can offer with a properly designed residential customer
48 choice program. As a result, if the Commission were to adopt the proposed
49 Peoples Pilot tariffs without modification, it actually would hinder the further
50 development of competition in the Illinois retail natural gas market.

51
52 **Q. Please summarize New Power's initial reaction to the Peoples filing.**

53 A. In its filing, Peoples has requested the ability to expand its "trial" pilot program
54 for commercial customers into a "permanent" standard tariff for residential and
55 commercial customers. Prior to allowing such a transformation, the Commission
56 should be fully informed of the ramifications of such a conversion, especially
57 given the competitive barriers contained in the proposed tariffs. In short, the
58 Commission should order revisions to the proposed tariffs before they become
59 effective. New Power will highlight some of the competitive barriers in the
60 proposed Peoples Pilot tariffs.

61
62 **Q. What are your recommendations in the instant proceeding?**

63 A. A number of pro-consumer pro-competitive revisions to the proposed tariffs are
64 necessary to foster competition and remove significant barriers to entry that
65 otherwise would prevent suppliers from providing additional benefits to
66 customers. These necessary revisions fall into **two** general categories. **First**, the
67 proposed billing procedures should be revised to:

- 68 (a) Allow suppliers to perform a single billing function for their
69 customers; and

- 70 (b) Require Peoples to offer this service under the terms of a single bill
71 tariff.
72

73 **Second**, the proposed administration and rate design of the program must be
74 revised to:

- 75 (a) Prevent misplaced, unnecessary, and unjustified fees from acting
76 as barriers to entry, including, but not limited to the Aggregation
77 Charge, Customer Pool Activation Charge, and Supplier
78 Application Charge;
79
80 (b) Remove unnecessary restrictions upon supplier's flexibility to
81 efficiently utilize its own storage services; and
82
83 (c) Eliminate the proposed enrollment limits and utilize an "open"
84 enrollment process.
85
86

87 The Commission must be vigilant to adopt rules and tariffs that ensure that
88 competition develops for residential and small commercial customers. By
89 adopting New Power's recommendations, the Commission can help ensure that
90 appropriate tariffs are adopted to promote competition to provide service to retail
91 customers in the Peoples and North Shore service territories.

92 **II.**

93 **BILLING ISSUES**

94 **A. SINGLE-BILLING BY SUPPLIERS**
95

96 **Q. Would suppliers be allowed to offer a single bill to residential customers**
97 **under Peoples' proposal?**

98 **A. No.**

99 **Q. Does Peoples allow suppliers to issue single bills to transportation customers?**

100 A. Yes. In Peoples' last general rate increase, the Company allowed suppliers to
101 directly bill transportation customers for the commodity charge as well as the
102 utility's distribution charge. (See Order, ICC Docket No. 95-0032.) However,
103 the Company inexplicably removed this option from its Rider AGG in the original
104 pilot program proceeding.

105

106 **Q. Is single billing by suppliers an important issue to the development of a**
107 **competitive market?**

108 A. Yes. All products and services which can be offered competitively should be
109 offered by competitive suppliers. The ability of a supplier to issue a single bill to
110 its customers is the cornerstone of a supplier's relationship with its customer.
111 Single billing by suppliers is an extremely important issue that will influence the
112 amount of resources, if any, that New Power devotes to bringing the benefits of
113 choice to residential customers in the State of Illinois.

114

115 **Q. Please explain some of the benefits of single billing.**

116 A. Clearly, the primary beneficiaries of the provision of a supplier consolidated bill
117 are customers; since a customer is able to choose to receive the benefits of the
118 competitive market and still receive only one bill, from a single entity. As a
119 result, the customer only has to write one check and make one payment for its
120 natural gas service. The ability to provide single billing service translates to an
121 additional value-added service and marketing tool that assists suppliers, such as

122 New Power, in building a relationship with customers. Additionally, there is the
123 potential for added substantial benefits under single billing, including the ability
124 of a residential or small commercial customer to receive one bill if the customer
125 were purchasing natural gas and electric service from a single source, tailored
126 billing options, and innovation and the offering of new products and services.

127
128 **Q. Are there other benefits associated with single billing being provided by**
129 **suppliers?**

130 A. Yes. Most utility billing systems are built to handle the regulated rates for the
131 commodity. Unfortunately, it has been our experience that these utility billing
132 systems cannot handle the variety of options that the competitive market wishes to
133 offer retail customers. If suppliers were forced to use the incumbent utilities'
134 billing systems, the competitive market would be limited to the confines of the
135 utilities' existing systems that were built to offer one product. This would
136 severely limit the types of products and services that could be offered.

137
138 **Q. How would having to use the incumbent utility's billing system harm**
139 **suppliers?**

140 A. Suppliers may wish to offer many energy saving products and services, as well as
141 demand side management products. Many times these billing systems cannot
142 handle multiple rate codes as well as additional lines for messaging to the
143 customer such as updates on savings, new products or programs that are being
144 offered or multiple commodity messaging for BTU products. Suppliers need the

145 ability to communicate through the customer's bill with their customers regarding
146 the benefits that a marketer has to offer, and potential future savings and value-
147 added services that what would be available based on a customer's needs.

148
149 In addition, suppliers may wish to provide customers with incentives to switch by
150 offering items such as frequent flyer points; old utility systems simply are not
151 equipped to accommodate those types of innovative programs. Communicating
152 to customers through their natural gas bill regarding such items as an update of
153 the total accumulation, and phone numbers to call to use such incentives have
154 proven to be very difficult for a utility billing system to handle without having
155 additional cost incurred.

156
157 New Power already has invested a substantial amount of capital into building the
158 infrastructure to support servicing its products and services. Paying the utility to
159 upgrade an outdated system would be a waste of time and money.

160
161 **Q. Has the Illinois General Assembly recognized the benefits of single-billing by**
162 **suppliers in the electric industry in Illinois?**

163 A. Yes. In creating the framework for the development of a competitive market in
164 the electric industry in Illinois, the Illinois General Assembly required each
165 electric utility to submit a tariff that would allow suppliers to issue a single bill for
166 the suppliers commodity charges and for the utility's delivery services charges.
167 (See 220 ILCS 5/16-118(b).) As the Commission builds the framework for a

competitive natural gas market, it would be wise to follow the lead of the General Assembly on this issue.

Q. Has the Illinois Commerce Commission recognized the benefits of single billing by suppliers?

A. Yes. In the Commission's recent Order regarding expansion of the Nicor Customer Select program to all residential customers on a permanent basis, the Commission properly concluded that single billing is desired by both customers and suppliers, and is necessary for the development of a competitive market in the natural gas industry. (*See* Nicor Order at 28, ICC Docket Nos. 00-0620/0621.) However, the Order failed to properly direct Nicor to file a true "single-billing" tariff. (*See id.* at 28.) The Commission must take this additional step in this proceeding to ensure that the terms and conditions under which single billing is provided are reasonable and non-discriminatory.

Q. How did the Commission address the issue of single billing by suppliers in its initial order that approved the Peoples Gas pilot program.

A. In its Order in ICC Docket No. 97-0297, the Commission declined to require Peoples to allow suppliers to perform the single billing function due to the relative infancy and lack of experience under the pilot program despite the fact that two (2) suppliers had requested such an option. (*See* ICC Docket No. 97-0297, Order at 10, August 12, 1998.) Instead, the Commission accepted Peoples' offer to investigate the desirability and the feasibility of single billing. (*See id.* at 10.)

191 Additionally, in a Concurring Opinion, former Commissioner Brent Bohlen
192 emphasized that the General Assembly recognized the importance of single
193 billing by suppliers in the electric industry and that such a policy would be
194 appropriate if gas transportation is generally available. (See Bohlen Concurring
195 Opinion at 1, ICC Docket No. 97-0297.) In light of the general availability of gas
196 transportation to all customers in the Nicor service territory and its proposed
197 availability to residential customers in the Peoples and North Shore service
198 territories, former Commissioner Bohlen's policy recommendation is certainly
199 appropriate in the instant proceeding.

200
201 **Q. Can there be any doubt that suppliers desire to issue single bills to their**
202 **customers?**

203 A. No. Throughout the country, this is an extremely important issue to suppliers;
204 there is no need for further "study." The Commission's presumption should be to
205 eliminate such anti-competitive provisions. Additionally, Peoples has offered no
206 evidence, either operationally or administratively, that would justify the
207 imposition of this anti-competitive provision in its tariffs.

208
209 **Q. What are some of the assertions that Peoples makes in suggesting that SVT**
210 **Suppliers be barred from issuing a single bill to their customers?**

211 A. Peoples seems to suggest that the provisions of 83 Ill. Adm. Code Part 500
212 somehow bars SVT Suppliers from issuing single bills.

213 Q. **Do you agree that Part 500 bars a SVT Supplier from issuing a single bill?**

214 A. No. Obviously, SVT Suppliers are not subject to Part 500, but there is no reason
215 why Peoples' obligations under Part 500 cannot be met as a result of an SVT
216 Supplier issuing a single bill.

217

218 Q. **How can the requirements of Part 500 be met if a SVT Supplier is issuing a**
219 **single bill?**

220 A. If Peoples is truly concerned about its obligations under Part 500, there is a two-
221 pronged workable solution. **First**, Peoples should provide SVT Suppliers with
222 the required information in a suitable electronic format. **Second**, Peoples should
223 impose on SVT Suppliers the comparable requirements of Part 500 in its tariffs
224 and make it a condition of supplier consolidated billing.

225

226 B. **SINGLE BILL TARIFF**

227 Q. **What is your recommendation regarding how the Commission should**
228 **require Peoples to address the single billing issue?**

229 A. The Commission should direct Peoples to file a single billing tariff. Such an
230 Order would be consistent with the Commission's Order in the original pilot
231 proceeding and with the Commission's long history of promoting competition in
232 the natural gas industry.

233 Q. What are some of the essential elements of a single billing tariff?

234 A. A single billing tariff should establish a uniform format for the operational,
235 technical, and communications processes for the interaction between Peoples and
236 suppliers in the program. At a minimum, Peoples should be required to provide
237 the following information in a uniform electronic format:

- 238 • Peoples' charges (in a bill-ready electronic format);
- 239 • billing determinants;
- 240 • bill inserts and other required notices; and
- 241 • any other necessary information that a supplier will need to provide to the
- 242 consumer.

243

244 Additionally, the "Single Billing" tariff should include:

- 245 • the terms and conditions of service;
- 246 • remittance options;
- 247 • payment priorities; and
- 248 • a credit, based upon an embedded cost methodology to reflect the savings
- 249 to Peoples as a result of the supplier performing the billing function.
- 250

251 C. OTHER BILLING ISSUES

252 Q. Does New Power have other concerns regarding how Peoples proposes to bill
253 customers under this Program?

254 A. Yes. If the Commission does not allow SVT Suppliers to perform the single
255 billing function, the following additional questions are unexplained in Peoples'
256 filing:

- 257 • How are receivables handled by Peoples? Are suppliers kept whole?
- 258 • Is there a receivables agreement between Peoples and the supplier?
- 259 • What is the turnaround time for payment?
- 260 • Is there a discount rate?

- If there is a discount rate, what is the justification of a discount rate if bad debt expenses have still not been unbundled ?
- How many rate codes can each supplier utilize?
- How many bill lines would suppliers be able to use to communicate with their customers?
- Would suppliers have access to bill inserts?
- Would Peoples display logos, charts, and other graphics on behalf of the suppliers?
- Would Peoples allow suppliers to include additional pages?
- What are the timeframe requirements for suppliers submission of data to the utility?
- Under what format will suppliers be required to submit data to the utility?

At the very least, Peoples should be required to answer these important questions in a manner that is acceptable to the Commission's goal of encouraging the development of a competitive market.

III.

PROPOSED ADMINISTRATION AND RATE DESIGN OF THE CHOICES FOR YOU PROGRAM

Q. What issues regarding the administration of the Choices For You Program and proposed tariff changes do you wish to comment upon?

A. The Commission should focus upon the following areas regarding Peoples' proposed administration and rate design of the program: (a) enrollment limits, (b) grace periods, (c) minimum stay requirements, and (d) other proposed revisions to Rider AGG.

292 A. **ENROLLMENT LIMITS**

293 Q. **Please describe the enrollment limits in Peoples proposed tariffs.**

294 A. As described by Peoples witness Egelhoff, the pilot program would be limited to
295 only 75,000 customers in the first year; 125,000 in the second year; and 180,000
296 in the third year. (*See* Respondent's Exhibit A at 7.) There does not appear to be
297 any further discussion or explanation regarding the eligibility for the remaining
298 residential customers to participate in the program after the third year of the
299 program. (*See id.*) However, Peoples asserts that it will make an "informational
300 filing" by March 1, 2005 to establish enrollment limits, if any, after April 30,
301 2005. (*See id.*) Additionally, Peoples' proposes that the enrollment may be
302 suspended at the Company's sole discretion if the proposed enrollment limit is
303 reached. Peoples' unbridled ability to suspend the enrollment limits is simply too
304 much risk for a marketer to bear. Peoples should be required to submit a petition
305 to the Commission requesting the ability to suspend the enrollment. In addition,
306 if Peoples intends to suspend enrollment, Peoples should be required to provide
307 adequate notice to all participating suppliers prior to suspension.

308

309 Q. **Has Peoples justified the proposed enrollment limits?**

310 A. No. Customer choice and the dynamics of the marketplace will be impeded if
311 Peoples' enrollment limits are approved by the Commission. In fact, Peoples
312 witness Egelhoff contradicts her own testimony by first claiming that residential
313 customers desire choice while simultaneously proposing enrollment limits that
314 impede customer choice. (*Compare* Respondent's Exhibit A at 4 with

315 Respondent's Exhibit A at 6.) The enrollment requirements are so small that they
316 would operate to preclude any economies of scale or mass marketing efforts of a
317 supplier like New Power.

318

319 **Q. How do the proposed customer enrollment limits impede customer choice?**

320 A. If competitive suppliers have demonstrated that their products are the most
321 economical, innovative, or desirable, additional customers should not be
322 prohibited from enjoying the same products and services. The marketplace
323 should determine who are the most efficient, reliable and successful suppliers.

324

325 **Q. How do you respond to Peoples' assertion that it had to impose the**
326 **enrollment limits because it needs to enter into an agreement with the Illinois**
327 **Department of Commerce and Community Affairs ("DECA") regarding**
328 **energy assistance and LIHEAP?**

329 A. Peoples could easily identify the group of customers that would be effected by the
330 DECA requirements and either bid them out as a group later or remove them from
331 participating in the program by providing a "do not contact" list to SVT Suppliers.
332 The entire residential customer base should not denied the opportunity to enjoy
333 the benefits of customer choice in order to settle issues relating to a smaller subset
334 of residential customers. The costs to a marketer to advertise, build scripts,
335 provide market specific support, and solicit customers can be cost prohibitive if
336 the potential size of the market is too small and there is no certainty that
337 enrollments will continue.

338 Q. How did the Commission address the enrollment issues in the Nicor
339 Customer Select pilot?

340 A. It is my understanding that the Commission recently entered an Order that
341 expanded the Nicor Customer Select pilot to all residential customers on a
342 permanent basis after a trial period that allowed 80,000 residential customers in
343 selected communities to participate in the program. The Nicor Customer Select
344 Pilot had a three-year phased period that included an industrial, commercial, and
345 residential component. (See *Nicor Customer Select Pilot*, ICC Docket Nos. 00-
346 0620.0621 (cons.) Order at 3, July 5, 2001.) In the third year of the Nicor pilot
347 program, Nicor extended the eligibility to an additional 260,000 customers. (See
348 *id.*)

349
350 Q. How have utilities and state commissions in other jurisdictions addressed
351 enrollment limits?

352 A. The residential choice programs in the State of Ohio and the Atlanta Gas Light
353 Company program in the state of Georgia are probably the two most active
354 customer programs in the natural gas industry. There are no enrollment limits in
355 the current gas choice programs in the State of Ohio nor in the Atlanta Gas Light
356 direct purchase program in the state of Georgia.

357 **Q. What is New Power's recommendation regarding the proper enrollment**
358 **limits?**

359 A. The Commission should direct Peoples to utilize an open enrollment for their
360 entire service territory in which all residential customers would be provided with
361 the opportunity to select a competitive supplier.

362

363 **B. MINIMUM STAY REQUIREMENTS**

364 **Q. Does Peoples seek to impose any minimum stay periods if a customer seeks to**
365 **switch from a supplier back to Peoples?**

366 A. According to Second Revised Sheet No. 150, except in the event of a transfer of
367 service, a customer may not voluntarily discontinue service and subsequently
368 renew service for twelve (12) months. This effectively establishes a minimum
369 stay period of approximately 12 months with the utility. Thus, if a customer
370 decides to no longer take service from a competitive supplier, it will have two (2)
371 months to elect a new supplier or the customer will be forced back to bundled
372 utility service for a period of 12 months. Such a requirement amounts to being
373 "slammed" back to the monopoly utility for 12 months.

374

375 **Q. What is New Power's recommendation regarding the twelve (12) month**
376 **minimum stay requirement?**

377 A. The Commission should eliminate this barrier to entry. Alternatively, if Peoples
378 truly believes that arranging for supply for such returning customers is a

379 "burden," then the Commission should direct Peoples to develop a competitive
380 default service that suppliers will have the opportunity to bid upon.

381

382 **Q. Please explain how the Commission could establish a competitive bidding**
383 **process for default service.**

384 A. Default service need not be provided by the traditional utility. Default service can
385 be provided competitively. Thus, if Peoples continues to assert that providing
386 such service is a burden, the Commission should create a request for proposal and
387 select, through a competitive bidding process, a retail supplier for customers who
388 wish to leave their current arrangement with a competitive supplier, or is a new
389 customer to the utility system. Bidders could compete on the basis of the price at
390 which they are willing to serve default customers. An essential component of any
391 method of allocating default service is the customer's ability to choose another
392 retail supplier if it is dissatisfied with the default supplier selected through
393 bidding. The goal would be to assure that customers have choice and that the
394 selected default service provider is not the exclusive provider. In other words, the
395 benefit of a competitive default option is that customers are not subjected to
396 minimum stay periods where the customer is held captive by the incumbent
397 monopoly utility. For the Commission's convenience, a copy of a Request For
398 Proposal issued by the Georgia Public Service Commission is attached hereto and
399 made a part hereof as Attachment 1.

400 **Q. Has competitive default service been implemented as a component of a**
401 **customer choice program in other states?**

402 A. Yes. Massachusetts has a competitive default service for electric customers who
403 are either new to the system, left standard offer service and returned to the utility,
404 or have come back from the competitive market. As for gas programs, the two
405 most progressive programs in the country (Columbia Gas of Ohio and Atlanta Gas
406 Light) do not have any minimum stay requirements. In addition, Atlanta Gas
407 Light has a competitive Interim Pooler arrangement whereby Atlanta Gas Light is
408 no longer in the merchant function at all. In Georgia, the Interim Pooler acts as
409 the default service provider. One criteria for becoming the Interim Pooler is to
410 agree to send notices informing customers of their right to select another marketer
411 **at any time.** For the Commission's convenience, a copy of the Georgia Public
412 Service Commission's Order Designating an Interim Pooler is attached hereto and
413 made a part hereof as Attachment 2.

414

415 **C. GRACE PERIOD**

416 **Q. Please explain why the length of the proposed grace period for customers**
417 **switching suppliers in the Program is important.**

418 A. The length of the grace period is important due to the fact that if a customer does
419 not choose a new supplier during the grace period, the customer will be returned
420 to bundled utility service for a period of 12 months. Thus, notwithstanding New
421 Power's concerns with the minimum stay requirement, the proposed grace period
422 should be revised.

423 Q. What specific concerns do you have regarding the grace period?

424 A. The Commission should require Peoples to address to the Commission's
425 satisfaction three specific issues regarding the grace period. **First**, there is no
426 explanation by Peoples regarding how customers returning to bundled service,
427 and subject to the 12 month minimum stay requirement, will be identified to
428 suppliers as ineligible. **Second**, there is no explanation by Peoples regarding how
429 a marketer is informed that the customer is available during that grace period.
430 **Third**, there was no detailed information provided by Peoples regarding:

- 431 • what notification will be provided to the customer concerning the
432 grace period,
- 433
- 434 • whether customers will be informed of their options during the grace
435 period;
- 436
- 437 • what notice will be given to the marketer for customers who are
438 terminated by the utility for non-payment;
- 439
- 440 • whether customers will be provided with an explanation of the
441 implications of inaction during the grace period; and
- 442
- 443 • If notices are going to be provided to customers, Peoples should
444 identify who will be paying for the notices.
- 445

446 At a minimum, the customer should be provided with no less than three (3) full
447 billing cycles to consider their options. A grace period similar has been utilized
448 in the Illinois retail electric market.

449 D. RIDER AGG

450 Q. What issues will you discuss regarding Peoples' proposed changes to Rider
451 AGG?

452 A. The Commission should examine the various proposed fees, storage issues, and
453 operational flow issues.

454

455 1. *Application Fee*

456 Q. Do you have any comments regarding the proposed \$2,000 application fee to
457 set-up an aggregation agreement?

458 A. This fee is entirely unreasonable. This type of up-front "ante" is not found in any
459 jurisdiction that has a customer choice programs that is operating in a manner that
460 provides customers with the benefits of customer choice. An application fee
461 should reflect what the actual incremental cost is to the utility to process an
462 application. As an example, for the Commission's convenience, the application
463 fees for Columbia of Ohio is attached hereto and made a part hereof as
464 Attachment 3. Note the application fee is \$50. Peoples proposed application fee
465 is **400 times higher** than the application fees of Columbia Gas of Ohio. It has
466 been my experience that utilities generally spread any asserted costs for education
467 and transition to the **entire** class of customers who would now have the
468 opportunity to choose. Such costs have not been recovered through a
469 "transportation customer charge" because such charges would act as a barrier to
470 competition.

471 Apparently, Peoples has added the costs of educating the customer about choices
472 in its customer charge to those customers who take service from a competitive
473 supplier.

474

475 **Q. Would it be appropriate to charge such consumer education costs only to**
476 **those customers who choose to take service from a competitive supplier?**

477 A. No. All customers in Peoples service territory should be allowed the opportunity
478 to choose an alternative commodity supplier. All customers should have the
479 benefit of receiving the information and educational materials regarding the
480 ability of customers to choose a competitive supplier for their gas supply. Since
481 this information should be provided to all customers, the costs of educating
482 (including answering telephone inquiries regarding the program) all customers
483 should be borne by all customers, not just the customers that choose a competitive
484 supplier. It has been my experience that utilities generally attach education riders
485 to their tariffs that apply to the **entire** group of customers that receive such
486 information. It has not been treated as an exit fee to inhibit competition. For the
487 Commission's convenience, a copy of such a tariff provision from Atlanta Gas
488 Light is attached hereto and made a part hereof as Attachment 4.

489

490 **Q. What is New Power's recommendation regarding the application fee?**

491 A. The Commission should reject Peoples' proposed \$2000 application fee and
492 instruct Peoples to charge only the actual incremental cost that Peoples proves it
493 incurs in processing an application.

494 2. *Monthly Aggregation Fee*

495 **Q. Does New Power support the proposed monthly \$200/pool and**
496 **\$1.25/customer aggregation fee?**

497 A. No. These fees also are simply economic barriers to entry. Columbia of Ohio,
498 currently one of the more successful gas programs in the country, has neither an
499 aggregation charge nor a pooling fee per customer. Again, Peoples has failed to
500 present any legitimate evidence to support these proposed fees nor has it truly
501 reflected in its rates the cost savings attributed to marketers providing commodity
502 services. Before the Commission approves any such fees, it must require Peoples
503 to take into account the concomitant decreases in costs to Peoples when a
504 customer chooses competitive suppliers. For example, transportation customers
505 should receive a credit for services, personnel and costs allocated to purchasing,
506 nominating and supplying the commodity.

507
508 Apparently, Peoples has again added the costs of educating the customer about
509 choices in its customer charge to those customers who take service from a
510 competitive supplier.

511
512 **Q. Would it be appropriate to charge such consumer education costs only to**
513 **those customers who choose to take service from a competitive supplier?**

514 A. As discussed above, this inappropriate. All customers should have the benefit of
515 receiving the information and educational materials regarding the ability of
516 customers to choose a competitive supplier for their gas supply. Since this

information should be provided to all customers, the costs of educating all customers should be borne by all customers, not just the customers that choose a competitive supplier.

Q. What is New Power's recommendation regarding the monthly aggregation fee?

A. The Commission should reject Peoples' proposed \$200 monthly aggregation fee.

3. Customer Pool Activation Charge

Q. What is New Power's recommendation regarding the \$10/customer pool activation charge?

A. The Commission should reject Peoples' proposed \$10/customer pool activation charge. This fee is entirely unreasonable. This type of up-front "ante" is not found in any jurisdiction that has a customer choice programs that is operating in a manner that provides customers with the benefits of customer choice. A customer pool activation charge should reflect what the actual incremental cost is to the utility to activate a customer pool. It has been my experience that utilities generally spread any asserted costs for to the **entire class of customers who would now have the opportunity to choose. Such costs have not been recovered through a "transportation customer charge" because such charges would act as a barrier to competition.**

538 Apparently, Peoples has yet again added the costs of educating the customer
539 about choices in its customer charge to those customers who take service from a
540 competitive supplier.

541

542 **Q. Do you similarly believe that it would be inappropriate to charge such**
543 **consumer education costs only to those customers who choose to take service**
544 **from a competitive supplier?**

545 **A. Yes.**

546

547 **4. Storage Issues**

548 **Q. Please describe your concerns regarding Peoples proposed storage**
549 **requirements.**

550 **A. New Power has an overall policy and practical marketplace concern regarding**
551 **Peoples proposed storage requirements. SVT Suppliers should not be required to**
552 **purchase Peoples storage service as a condition of participating in the Program.**
553 **SVT Suppliers should have the flexibility to directly contract with the interstate**
554 **pipelines and other service providers for such storage and associated services.**
555 **SVT Suppliers should not be required to pay for a service that they can obtain**
556 **from entities other than Peoples. Such a requirement smacks of the type of**
557 **“tying” arrangements that antitrust laws were designed to prevent. At a**
558 **minimum, it should be at the suppliers’ option if they wish to purchase any of**
559 **Peoples storage assets and services.**

560 Q. Do you have any additional concerns regarding Peoples' proposed storage
561 requirements?

562 A. Yes. Under Peoples proposal, the amount of storage required to be injected or
563 withdrawn is determined at the sole discretion of the utility. This should not be at
564 the sole discretion of the utility, instead any limits that are imposed should be for
565 verifiable operational reasons only. Such a provision will ensure the non-
566 discriminatory treatment of natural gas supply that is coming into Peoples'
567 system.

568

569 **5. Operational Integrity Provision**

570 Q. Please explain New Power's concern regarding the Peoples' new operational
571 integrity provision.

572 A. Under this new proposal, Peoples, in its sole judgment, would have the ability to
573 call an operational flow order that limits the quantity of gas that it will accept
574 from suppliers at any of its city gate stations upon only two (2) hours notice to the
575 supplier. (See Respondent's Exhibit B at 3; See also Section L, Rider AGG,
576 Original Sheet No. 161.) Marketers should be afforded the same flexibility
577 Peoples enjoys when providing commodity service to existing sales customers.

578

579 Q. Please describe your concerns regarding Peoples proposed tariff provision
580 regarding operational flow orders.

581 A. This provision should be modified in three respects. First, suppliers must be
582 provided with at least twenty-four (24) hours notice. Second, Peoples should not

583 be allowed to invoke this provision for economic reasons but only where there is a
584 verifiable threat to the integrity of the system. **Third**, all natural gas supply,
585 including that of the utility, should be subject to the same restrictions on a non-
586 discriminatory basis.

587
588 **IV.**

589 **UNIFORM BUSINESS RULES**

590 **Q. What additional uniform business rules are necessary to assist in the success**
591 **of the Choices For You program?**

592 **A.** Peoples proposal is silent upon any uniform business rules or EDI protocols for
593 electronic transmission of information from the utility to the supplier for functions
594 such as customer enrollments, confirmations, and/or exception reports of why
595 customers may have been rejected. Uniform business rules lower costs for all
596 market participants and ease market entry. For example, a supplier would not
597 have to build separate systems each time it enters into an individual utility service
598 territory. This would avoid unnecessary time and expenses. The primary
599 beneficiary is the customer, because uniform business protocols and practices
600 allow competitive suppliers to offer increased savings which are gained by
601 eliminating duplicative systems to handle the electronic transfer of information
602 that needs to be communicated between the supplier and the utility.

V.

CONCLUSION

Q. Do you have any concluding remarks?

A. Peoples' Program purports to offer a competitive option for a class of customers that previously has been denied choice. However, without the aforementioned tariff revisions, residential customers will be denied the benefits that suppliers like New Power can offer.

Summary of Recommendations

Q. Please summarize your recommendations.

A. The Commission should make a number of pro-consumer, pro-competitive revisions to the proposed tariffs to foster competition and remove significant barriers to entry that otherwise would prevent suppliers from providing additional benefits to customers. The New Power Company respectfully requests that the Commission revise the proposed tariffs in the following manner to:

- (1) Allow suppliers to perform a single billing function for their customers under the terms of a single bill tariff;
- (2) Prevent unnecessary and unjustified fees from acting as barriers to entry, by appropriately imposing the costs where they properly belong, including, but not limited to the Aggregation Charge, Customer Pool Activation Charge, and the Supplier Application Charge;
- (3) Remove unnecessary restrictions upon supplier's flexibility to efficiently utilize its own storage services; and
- (4) Eliminate the proposed enrollment limits and utilize an "open" enrollment process.

Q. Does this conclude your testimony?

A. Yes.

COMMISSIONERS:

LAUREN "BUBBA" MCGONALD, JR., CHAIRMAN
ROBERT E. BAKER, JR.
DAVID L. BURGESS
BOB DURDEN
STAN WISE



DEBORAH K. FLANNAGAN
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APR 24 2001

EXECUTIVE SECRETARY

DOCKET NO. 13758-U

~~SECRET~~ # 13758

REQUEST FOR PROPOSAL FOR INTERIM POOL

~~SECRET~~ # 46711

PROPOSAL TO BE RECEIVED BY THE COMMISSION: NOT
LATER THAN 4:00 p.m., MAY 25, 2001

INSTRUCTION TO PROPOSERS

All spaces below and in the attached "Proposal and Certification Form" are to be filled in with signatures supplied where indicated. Failure to sign proposal will cause rejection of your proposal.

PROPOSAL OF:

NAME: _____

ADDRESS: _____

SUBMIT PROPOSAL TO:

Mr. Clarence Lanier
Utilities Division

GEORGIA PUBLIC SERVICE COMMISSION
244 Washington Street
Atlanta, GA 30334

DATE PROPOSAL MAILED: _____

Docket No. 13758-U
RFP for Third Interim Pooler

NOTE: PLEASE ENSURE THAT ALL REQUIRED SIGNATURE BLOCKS ARE COMPLETED. FAILURE TO SIGN THIS FORM WILL CAUSE REJECTION OF YOUR PROPOSAL.

**STATE OF GEORGIA
PUBLIC SERVICE COMMISSION**

PROPOSAL

We propose to furnish and deliver any and all of these services named in the attached Request for Proposal (RFP) for which prices have been set. The price or prices offered herein shall apply for the period of time stated in the RFP.

It is understood and agreed that this proposal constitutes an offer, which when accepted by the Georgia Public Service Commission, State of Georgia, and subject to the terms and conditions of such acceptance, will constitute a valid and binding agreement between the undersigned and the State of Georgia.

It is understood and agreed that we have read the State's specifications shown or referenced in the RFP and that this proposal is made in accordance with the provisions of such specifications. By our written signature on this proposal, we guarantee and certify that all items included in this proposal meet or exceed any and all such State specifications. We further agree, if awarded the Interim Pooler designation, to deliver services that will meet or exceed the specifications.

It is understood and agreed that this proposal shall be valid and held open for a period of one hundred and twenty (120) days from proposal's opening date.

Docket No. 13758-U
RFP for Third Interim Pooler

PROPOSAL SIGNATURE AND CERTIFICATION

(Bidder must sign and return with proposal)

I certify that this proposal is made without prior understanding, agreement, or connection with any corporation, firm, or person submitting a proposal for the same materials, supplies, equipment, or services and is in all respects fair and without collusion or fraud. I understand collusive bidding is a violation of State and Federal Law and can result in fines, prison sentences, and civil damage awards. I agree to abide by all conditions of the proposal and certify that I am authorized to sign this proposal for the bidder or offeror.

Authorized Signature

Date

**Docket No. 13758-U
RFP for Third Lateral Pooler**

1.0 GENERAL

1.1 Introduction

This matter comes before the Georgia Public Service Commission ("Commission") for consideration of a selection process for an Interim Pooler. Atlanta Gas Light Company's tariff provides that in the event a Pooler's entitlement to act as a Pooler on AGLC's system is terminated by reason of the Pooler's failure to comply with the provisions of § 3.21.4 of the tariff's Terms of Service, an Interim Pooler may be used to provide service to the customers of such Pooler. The tariff further provides that the Commission shall designate a Pooler or Poolers to act as the Interim Pooler or Interim Poolers. Terms of Service § 3.21.5. In the absence of such a designation by the Commission, the tariff states that AGLC would act as the Interim Pooler. Terms of Service § 3.21.6. The Commission has begun the process of considering the designation of an Interim Pooler.

There shall be no disclosure of any information derived from proposals submitted by competing offerors. All such discussions shall be conducted by the PSC Issuing Officer named below:

Mr. Clarence Lanier
Utilities Division
244 Washington Street
Atlanta, GA 30334
404-656-9241
404-656-0980 (Fax)

The Interim Pooler Designation shall be made to the responsible offeror whose proposal is determined to be the most advantageous for the ratepayers of Georgia, taking into account all of the evaluation factors set forth in the RFP. No other factors or criteria shall be used in the evaluation. The PSC reserves the right to reject any and all proposals submitted in response to this request.

1.2 Procurement Timetable

The following timetable is anticipated for this RFP:

April 17, 2001	RFP Issued
May 25, 2001	Deadline for receipt of proposals by the Commission NO PROPOSALS WILL BE ACCEPTED AFTER THIS TIME

Docket No. 13758-U
RFP for Third Interim Pooler

June 4, 2001 Oral Presentations (tentative)
June 19, 2001 Proposal Awarded
July 1, 2001 Interim Pooler Effective Date

Proposals will be delivered to the below location:

Clarence Lanier
Utilities Division
244 Washington Street
Atlanta, GA 30334-5701

1.3 Restrictions on Communications with Commission Staff

From the issue date of this RFP, until an Interim Pooler is selected and the selection is announced, offerors are not allowed to communicate for any reason with any staff member concerning this RFP except through the Issuing Officer named herein. For violation of this process, the Commission shall reserve the right to reject the proposal of the offending offeror.

1.4 RFP Amendments

The Commission reserves the right to amend this RFP prior to the date of proposal submission. Amendments will be sent to all offerors who originally received a copy of the RFP.

1.5 Proposal Withdrawal

Prior to the proposal date, a submitted proposal may be withdrawn by the offeror by submitting a request to the Issuing Officer named herein. Any such request must be signed by a person authorized to sign for the offeror.

1.6 Cost for Preparing Proposals

The cost of developing the proposal is the sole responsibility of the offeror. The State will not provide reimbursement for such costs.

1.7 Format for Responses

Proposals should correspond with and satisfy the requirements set forth in this RFP. The offeror must submit **EIGHT** copies of its final proposal to the Commission. Only **ONE** copy of reference documents, such as testimony, should be submitted.

Docket No. 13758-U
RFP for Third Interim Pooler

1.8 Additional Information

An offeror that submits a proposal that meets the requirements set forth in this RFP may be requested to provide additional information.

1.9 Retention of Proposals

All material submitted in response to this RFP will become the property of the Commission and may be returned to the offeror at the option of the Commission. One copy shall be retained by the Commission for official files.

1.10 Questions Regarding this RFP

Questions regarding the requirements set forth in this RFP should be directed to individual listed below:

Mr. Clarence Lanier
Utilities Division
244 Washington Street
Atlanta, GA 30334
404-656-9241
404-656-0980 (Fax)

1.11 Bidder Oral Presentations

Bidders may be invited to participate in an oral presentation on June 4, 2001, concerning their proposal to members of the Commission and members of the Commission Staff.

1.12 Note to Offerors

In the recent past, the Commission has received a number of proposals from offerors, which have been unresponsive to the RFP's involved. Problems have included:

- A. Unsigned Proposal Signature and Certificate page;
- B. Bid format not corresponding to RFP requirements (excessive use of "boilerplate" language/insufficient focus on service requirements);
- C. No price quote for services to be provided (all rates not included in proposal); and

- D. Submission of voluminous reference material not relevant to the services requested.

A careful reading of the RFP by offerors will prevent these problems.

2.0 SCOPE OF SERVICES

Proposals will be accepted for the services provided for in Attachment A.

3.0 PROPOSAL EVALUATION

3.1 Selection Process

The Commission Staff shall evaluate each proposal submitted by utilizing the evaluation criteria set forth below. Each proposal shall be given a total score and the Staff shall prepare a recommendation for selection to the Commission based on this scoring. On June 19, 2001, the Commission shall select an offeror to act as the Interim Pooler. The Commission shall award the proposal that is most advantageous to the ratapayers of Georgia considering the responses to Attachment A. The Commission's evaluation of proposals shall utilize the criteria below in items A through E. Each item will be given the weight factor indicated below. The highest total score possible shall be 225 points. The evaluation criteria and specific point value associated with each are:

- A. Which proposal offered the best overall rates, terms, and conditions to consumers (40 points);
- B. Which proposal best demonstrated that the marketer would be able to meet the gas supply and capacity supply obligations to serve the customers (50 points);
- C. Which proposal best demonstrated that the marketer has the financial ability to serve the customers (50 points);
- D. Which proposal best demonstrated that the marketer would be able to provide ancillary services and meet the customer service obligations to serve the customers (45 points);
- E. Which proposal best served the public interest (40 points).

Note that in addition to these criteria, no proposal will be accepted that does not meet the following minimum requirements: 1) Proposal must provide for reasonable notice by the marketer to customers, including notice to all customers

Docket No. 13758-U
RFP for Third Interim Pooler

that the marketer has been assigned to the customer as Interim Pooler, notice of the rates, terms, and conditions of such service, and notice that the customer has the right to select the marketer of the customer's choice; 2) Proposal must include an agreement that the customer shall not be charged any type of switch fee for the switch to the marketer as interim pooler; and 3) Marketer demonstrates that it can meet the credit requirements to serve the customers as set forth in Atlanta Gas Light Company's tariff, as well as any applicable interstate pipeline credit requirements.

The Commission shall consider each proposal in a manner that does not disclose the contents of the proposal to competing offerors. The Commission reserves the right to reject any and all proposals made pursuant to this RFP, to request the submission of a best and final offer, and to amend or supplement this RFP as any time. There is no assurance, expressed or implied, that an award will necessarily be made pursuant to this RFP. This RFP shall not give any rights to any respondent for any indemnification claims.

WHEREFORE IT IS ORDERED, that the Commission issue this Request for Proposal (RFP) for an Interim Pooler for the services provided for in Attachment A.

ORDERED FURTHER, that a motion for reconsideration, rehearing, or oral argument or any other motion shall not stay the effective date of this Order, unless otherwise ordered by the Commission.

ORDERED FURTHER, that jurisdiction over this matter is expressly retained for the purpose of entering such further Order or Orders as this Commission may deem just and proper.

The above action of the Commission in Administrative Session on the 17th day of April 2000.


Reece McAlister
Executive Secretary

Date:

4-20-01


Lauren McDonald, Jr.
Chairman

Date

04-20-01

Attachment A

1. Under what rates, terms, and conditions would you commit to serve customers as an interim pooler for the time period of July 2001 through the June 2002? Are these rates fixed/variable? Your proposal must state the delivered gas charge, including, but not limited to, commodity, interstate transportation, intrastate transportation, and ancillary charges.
2. Under what rates, terms, and conditions would you commit to serve customers as an interim pooler for the time period of July 2001 through the June 2002, with random assignment occurring within the next month of receiving customers? Are these rates fixed/variable? Your proposal must state the delivered gas charge, including, but not limited to, commodity, interstate transportation, intrastate transportation, and ancillary charges.
3. Which delivery groups will you commit to serve as an interim pooler?
4. Will you commit to continue the current marketer's existing contractual relationships with its partners, if applicable?
5. Will you have the two-month Atlanta Gas Light Company security deposit necessary to serve customers by July 1, 2001 (e.g. parental guarantee, letter of credit, surety bond)?
6. Will you have the required pipeline security deposit necessary to serve customers by July 1, 2001?
7. Please provide verification of the financial resources necessary to acquire the upstream capacity assets by July 1, 2001?
8. How will you send bills, receive payments, administer collection processes, and respond to customer inquiries? If these will be out-sourced, please provide the name of the company performing these functions, and affirm that you understand that you are ultimately responsible for actions of any subcontractor used to actually perform these duties on your behalf.
9. How will you handle an increase in the number of customers, with respect to ancillary services (billing, billing inquiries, remittance processing, etc.)? What is your maximum capability on a monthly basis with respect to the aforementioned services?
10. For the past twelve (12) months, please provide a narrative on your performance to provide ancillary services in a timely manner.

11. What mix of supply contracts do you have (1 year, winter season, month-to-month, base load, day-to-day flexible)? Include in your response copies of your supply contracts to the Commission Staff for review.
12. How will you serve an additional load of:
 - a. 30,000 ~ 40,000 dts per day?
 - b. 40,000 ~ 50,000 dts per day?
 - c. 60,000 ~ 70,000 dts per day?
 - d. Greater than 80,000 dts per day?
13. Will you commit to send all necessary direct mailings (including informing customers of their right to select another marketer at any time) to the customers? In addition, are you willing to provide to the Commission Staff these notices for review, prior to dissemination to customers?
14. Will you commit to track, for random assignment purposes, those customers who chose to stay with you and those who chose another certificated marketer?
15. Are there any limitations on technical capabilities, financial capabilities, or customer service infrastructure for handling an additional:
 - a. 50,000 customers?
 - b. 100,000 customers?
 - c. 150,000 customers?
 - d. Greater than 200,000 customers?
16. Will you commit to serve existing continuous gas service (ACN) agreements and any special contracts the current marketer may have?
17. Will you commit to waive any switch fees for receiving customers?
18. Will you commit to work with the Commission Staff and Atlanta Gas Light Company to resolve any technical, financial, and supply issues?
19. Will you commit to notify Interruptible Customers in the event of any curtailment or service disruptions?
20. Will you commit to utilize and pay for any storage inventory that may be necessary in an emergency situation? (This storage may be storage that was assigned to the withdrawing marketer, with their rates being the applicable rates used.)

21. Will you commit to pay any penalties charged by Atlanta Gas Light Company that might accrue to the extent that such penalties are the result of the Interim Pooler serving its own customers, not the newly acquired customers?

Docket No. 13758-U
RFP for Third Interim Pooler

COMMISSIONERS:

LAUREN "LUBBA" McDONALD, JR., CHAIRMAN
ROBERT B. BAKER, JR.
DAVID L. BURGESS
BOB BURDEN
STAN WHEE



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JUL 05 2001

EXECUTIVE SECRETARY

Georgia Public Service Commission

DEBORAH K. FLANNAGAN
EXECUTIVE DIRECTOR

HELEN O'LEARY
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DOCKET NO. 13758-U

DOCKET# 13758

ORDER DESIGNATING INTERIM POOLER

ATT# 48427

IN RE: Atlanta Gas Light Company's Notice of Election and Application to Establish Rates. Designation of Interim Pooler.

This matter comes before the Commission for the designation of Interim Pooler. As set forth below, the Commission designates The New Power Company (New Power) as the Interim Pooler for the period July 1, 2001 through June 30, 2002.

Background

On April 24, 2001, the Commission issued a Request for Proposal (RFP) for the designation of an Interim Pooler(s). To facilitate this process, the Commission requested that all marketers interested in being designated as an Interim Pooler submit their RFP responses by May 25, 2001. The Commission specifically included certain evaluation criteria in the Order. These criteria addressed certain issues that the Commission believed to be critical for the designation of an Interim Pooler. The evaluation criteria set forth in the April 24, 2001 order were: (a) which proposal offered the best overall rates, terms, and conditions to consumers; (b) which proposal best demonstrated that the marketer would be able to meet the gas supply and capacity supply obligations to serve the customers; (c) which proposal best demonstrated that the marketer has the financial ability to serve the customers; (d) which proposal best demonstrated that the marketer would be able to provide ancillary services to meet the "customer service obligations" to serve the customers; and (e) which proposal best served the public interest. (April 24, 2001 order, page 7) Staff's recommendation was based on the marketer's ability to satisfy these criteria, as well as the marketer's ability to meet certain minimum requirements.¹

¹ Minimum requirements: "(1) proposals must provide for reasonable notice by the marketer to the customer, including notice to all customers by the marketer has been assigned to the customer as interim pooler, notice of the rates, terms, and conditions of such service, and notice that the customer has the right to select the marketer of the customer's choice; (2) proposals must include an agreement that the customer shall not be charged any type of switch fee for the switch to the marketer as interim pooler; and (3) Marketer demonstrates that it can meet the credit requirements to serve the customers as set forth in Atlanta Gas Light Company's tariff, as well as any applicable interstate credit requirement." (April 24, 2001 Order, page 7 and 8)

The Commission received responses to the RFP from Infinite Energy, Inc. SouthStar Energy Services, LLC d/b/a Georgia Natural Gas Services (Georgia Natural), and New Power.

Discussion

Atlanta Gas Light Company's (AGL) tariff provides that in the event a Pooler's entitlement to act as a Pooler on Atlanta Gas Light Company's system is terminated by reason of the Pooler's failure to comply with the provision of § 3.21.4 of the tariff's Terms of Service, an Interim Pooler may be used to provide service to the customers of such Pooler. The tariff further provides that the Commission shall designate a Pooler or Poolers to act as the Interim Pooler or Interim Poolers. Terms of Service § 3.21.5. In the absence of such a designation by the Commission, the tariff states that AGLC would act as the Interim Pooler. Terms of Service § 3.21.6.

Commission Rule 515-7-4-.08, Random Assignment Upon a Marketer's Withdrawal from Market, provides:

Upon a certificated marketer's voluntary or involuntary withdrawal from the market, the EDC shall perform a random assignment process consistent with Commission Rule 515-7-5-.05 for the customers served by that marketer that do not elect service from a different marketer, pursuant to a schedule established by the Commission.

In this case, Staff has stated that these two provisions - the tariff's Interim Pooler provisions and the Commission Rule's provision for random assignment on a schedule established by the Commission - can and should be read together. If a marketer withdraws from the system and the schedule established by the Commission does not or cannot call for an immediate random assignment of customers, then obviously someone must be responsible for serving the marketer's customers pending either election of a new marketer by the customers or random assignment. That someone is the Interim Pooler.

Prior to the Commission's November 10, 1999 Order designating Shell Energy Services Company, L.L.C., as the Interim Pooler, AGL was the default Interim Pooler. If AGL remained the Interim Pooler, the rates of AGL charged to those customers assigned to it as Interim Pooler presumably would not be regulated by either this Commission or market forces. Even if AGL were to only charge its costs, those costs could be quite high since, unlike the marketers, AGL is no longer in the business of selling gas to firm customers. Accordingly, the Commission finds that it is in the public interest to have a marketer, rather than the EDC, as the Interim Pooler provided that such marketer has agreed to serve customers as an Interim Pooler with appropriate rates, terms and conditions.

The Commission determines that it is appropriate for the marketer designated as the Interim Pooler to be so designated until June 30, 2002. The Commission further concludes that the rates, terms and conditions of service offered by New Power are in the public interest. The Commission further concludes that based on the responses, New Power would be capable of acquiring and providing natural gas to the customers. Finally, the Commission concludes that

the proposal of New Power satisfies the evaluation criteria set forth in the Commission's April 24, 2001 Order.

The Commission finds and concludes that New Power shall be designated as Interim Pooler until June 30, 2002. Prior to this date, the Commission will issue a subsequent Interim Pooler RFP to designate an Interim Pooler or Poolers for the subsequent year. In the event that it becomes necessary to provide service as Interim Pooler, New Power would serve for the period of July 1, 2001 through June 30, 2002. The firm customers of the defaulting marketer shall be assigned to New Power in total. The switch to the Interim Pooler shall not count as the customer's "free switch."

The Commission finds and concludes that New Power shall not charge customers any switching fee for being assigned to New Power as Interim Pooler. AGL shall not charge more than its actual costs to New Power for performing the random assignment process and transferring such customers to New Power. AGL and New Power have agreed that such charges to the Interim Pooler shall not exceed the following:

<u>Size of Defaulting Marketer</u>	<u>Cap on Actual Costs</u>
Small (50,000 or <)	\$35,000
Medium (50,000 - 150,000)	\$50,000
Large (> 150,000)	\$75,000

If any dispute arises as to the amount of actual costs to be charged, AGL and New Power have agreed that the dispute will be submitted for resolution to binding arbitration before an independent arbitrator selected by AGL and New Power. The Commission Staff may revisit the "price cap on actual costs" as well as the mechanism for recovery during all future RFP processes.

As a condition of being designated as Interim Pooler, New Power shall serve any firm customers assigned to them as Interim Poolers under the rates, terms and conditions to which they agreed upon in their responses to the May 25, 2001 RFP. As a further condition of being designated as Interim Pooler, New Power shall continue to provide the monthly reports required under their certificate of authority. New Power shall promptly notify all customers assigned to them that they are serving as the Interim Pooler. Said notice shall inform the customers of the rates, terms and conditions of such service. Said notice shall inform the customers of the right to select any marketer of their choice. New Power shall provide to Staff copies of all Interim Pooler notices for review prior to the issuance of such notices.

The Commission recognizes that to properly function as Interim Pooler, New Power must work closely with both the Commission Staff and AGL. Accordingly, the Commission directs New Power, Commission Staff, and AGL to diligently work together to resolve any technical, financial, and supply issues necessary to allow New Power to function as the Interim Pooler. Part of this cooperative effort is a requirement that AGL share with the Interim Pooler any information necessary to function effectively as the Interim Pooler.

Additionally, New Power shall diligently and expeditiously pursue efforts to meet all necessary deposit requirements in the event customers are assigned to New Power as the Interim Pooler. AGL shall provide adequate flexibility to the Interim Pooler with regard to such necessary deposit requirements. New Power and AGL are directed to work together to facilitate security deposit arrangements.

With regard to the Interruptible Customers of the defaulting marketer, the Commission recognizes that such customers may be subject to service disruptions as a result of a defaulting marketer. AGL shall provide to the Interim Pooler any information necessary to communicate with such Interruptible Customers. It shall be the obligation of the Interim Pooler to exercise their best efforts to contact the Interruptible Customers of the defaulting marketer and explain that such customers shall be subject to service disruptions if alternative arrangements are not made.

The Commission also recognizes that emergency situations could arise in an Interim Pooler scenario. The less notice an Interim Pooler has, the more difficult it will be for the Interim Pooler to arrange the necessary natural gas supply and capacity supply to serve the assigned customers. Similarly, the more customers assigned to an Interim Pooler, the longer it will take the Interim Pooler to arrange the necessary natural gas supply and capacity supply to serve the assigned customers. Finally, the colder the weather when the customers are assigned, the longer it could take the Interim Pooler to arrange the necessary natural gas supply and capacity supply to serve the assigned customers. Conceivably, a situation could arise where an Interim Pooler is assigned a large number of customers, on a very short notice, on a very cold day. Under an emergency situation, and in the event such assets are necessary to provide firm service, the Interim Pooler may need emergency access to the storage inventory assigned to the defaulting marketer. In such event, the Interim Pooler shall pay for the cost of any and all such storage inventory used. The Interim Pooler shall function in accordance with AGL's tariff as if the assignment of customers to it as Interim Pooler increases the market share of the certificated marketer that is serving as the Interim Pooler and all assets will be assigned to and designated by AGL to the Interim Pooler in accordance with AGL's tariff.

The ability of the Interim Pooler to perform its obligations as Interim Pooler is dependent upon its rights to the necessary assets assigned pursuant to AGL's tariff along with rights to the purchase of adequate inventory levels from the defaulting marketer. If adequate inventory cannot be purchased from the defaulting marketer, or use of such assets is not otherwise available, and adequate notice is not available, then the Interim Pooler shall only be responsible for demonstrating best efforts to provide service to the firm customers of the defaulting marketer. Accordingly, to the extent possible, AGL shall coordinate any suspension of service to a marketer on AGL's system with the Interim Pooler, so as to provide the Interim Pooler adequate notice.

Moreover, within the first 30 days of New Power initiating service for customers as Interim Pooler, AGL shall waive any penalties that might otherwise accrue when the Interim Pooler is exercising its best efforts to ensure safe and reliable service to the firm customers of the defaulting marketer. AGLC shall not waive any penalties that might accrue to the extent that such penalties are the result of New Power serving its own customers.

Docket No. 13758-U
Order Designating Interim Pooler
Page 4 of 6

WHEREFORE, IT IS ORDERED that The New Power Company (New Power) shall be designated as Interim Pooler for the period of July 1, 2001 through June 30, 2002. Prior to the end date, the Commission will issue a subsequent Interim Pooler RFP to designate an Interim Pooler or Poolers for the subsequent year. In the event that it becomes necessary to provide service as Interim Pooler, New Power would serve for the period of July 1, 2001 through June 30, 2002. The firm customers of a defaulting marketer shall be assigned to New Power in total. The switch to the Interim Pooler shall not count as the customer's "free switch."

ORDERED FURTHER, that as a condition of being designated as Interim Pooler, New Power shall serve any firm customers assigned to them as Interim Pooler under the rates, terms and conditions in which they agreed to in their response to the May 25, 2001 RFP. New Power shall not charge such customers any switching fee for being assigned to New Power as Interim Poolers. AGL shall not charge more than its actual costs to New Power for performing the random assignment process and transferring these customers to New Power. AGL has agreed that such charges to the Interim Pooler shall not exceed the following:

<u>Size of Defaulting Marketer</u>	<u>Cap on Actual Costs</u>
Small (50,000 or <)	\$35,000
Medium (50,000 - 150,000)	\$50,000
Large (> 150,000)	\$75,000

If any dispute arises as to the amount of actual costs to be charged, AGL and New Power have agreed that the dispute will be submitted for resolution to binding arbitration before an independent arbitrator selected by AGL and New Power.

ORDERED FURTHER, that the Commission Staff may revisit the "price cap on actual costs" as well as the mechanism for recovery during all future RFP processes.

ORDERED FURTHER, that as a condition of being designated as Interim Pooler, New Power shall continue to provide the monthly reports required under its certificate of authority.

ORDERED FURTHER, that as a condition of being designated as Interim Pooler, New Power shall promptly notify all customers assigned to them that they are serving as Interim Pooler. Said notice shall inform the customers of the rates, terms and conditions of such service. Said notice shall inform the customers that they have the right to select a marketer of the customer's choice. New Power shall issue further notices as deemed necessary and reasonable by the Commission. New Power shall provide to the Commission Staff copies of all Interim Pooler notices for review prior to the issuance of such notices to customers.

ORDERED FURTHER, that New Power, Commission Staff, and AGL shall diligently work together to resolve any technical, financial and supply issues necessary to allow New Power to function effectively as the Interim Pooler. Part of this cooperative effort is a requirement that AGL share with the Interim Pooler any information necessary to function as the Interim Pooler. Further, to the extent possible, AGL shall coordinate any suspension of service

Docket No. 13758-U
Order Designating Interim Pooler
Page 5 of 6

to a marketer on AGL's system with the Interim Pooler, so as to provide the Interim Pooler adequate notice.

ORDERED FURTHER, that New Power shall diligently and expeditiously pursue efforts to meet all necessary deposit requirements in the event customers are assigned to New Power as the Interim Pooler. AGLC shall provide adequate flexibility to the Interim Pooler with regard to such necessary deposit requirements. New Power and AGL are directed to work together to facilitate the security deposit arrangements.

ORDERED FURTHER, that it shall be the obligation of the Interim Pooler to exercise their best efforts to contact the Interruptible Customers of the defaulting marketer and explain that such customers shall be subject to service disruptions if alternative arrangements are not made. In addition, AGL shall provide to the Interim Pooler the information necessary for the Interim Pooler to communicate with such Interruptible Customers.

ORDERED FURTHER, that in the event of an emergency situation, and in the event such assets are necessary to provide firm service, the Interim Pooler shall have emergency access to the storage inventory assigned to the defaulting marketer. In such event, the Interim Pooler shall pay for the cost of any and all such storage inventory so used. The Interim Pooler shall function in accordance with AGL's tariff as if the assignment of customers to it as Interim Pooler increases the market share of the certificated Marketer that is serving as the Interim Pooler and all assets will be assigned to and designated by AGL to the Interim Pooler in accordance with AGL's tariff.

ORDERED FURTHER, within the first thirty (30) days of New Power initiating service for customers as Interim Pooler, AGL shall waive any penalties that might otherwise accrue when the Interim Pooler is exercising its best efforts to ensure safe and reliable service to the firm customers of the defaulting marketer.

ORDERED FURTHER, that a motion for reconsideration, rehearing, or oral argument or any other motion shall not stay the effective date of this Order, unless otherwise ordered by the Commission.

ORDERED FURTHER, that jurisdiction over this matter is expressly retained for the purpose of entering such further Order or Orders as this Commission may deem just and proper.

The above by action of the Commission in Administrative Session on the 21st day of June 2001.


Reeds McAlistar
Executive Secretary

7-3-01
Date


Lauren McDonald, Jr.
Chairman

07-03-01
Date

Docket No. 13758-U
Order Designating Interim Pooler
Page 6 of 6

COLUMBIA GAS OF OHIO, INC.

**RULES AND REGULATIONS GOVERNING THE DISTRIBUTION
AND SALE OF GAS****SECTION VI - Full Requirements Aggregation Service****67. AGGREGATION SERVICE**

(A) **Availability.** This service is available to Marketers delivering gas, on a firm basis, to the Company's city gates on behalf of customers receiving transportation service from the Company under Rate Schedules FRSGTS, FRMGTS, FRGTS and FRLGTS. Service hereunder allows Marketers to deliver to the Company, on an aggregated basis, those natural gas supplies that are needed to satisfy the requirements of customer groups participating in Columbia's Customer CHOICE® Program.

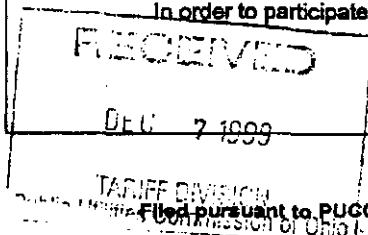
(B) **Aggregation Pool.** Marketers will be required to establish one or more Aggregation Pools for aggregation purposes. An Aggregation Pool shall be comprised of those customers within each Marketer's Customer CHOICE® Customer Group located within the same Columbia Gas Transmission market area. Marketers shall have the option to create multiple Aggregation Pools within a single Columbia Gas Transmission market area. For purposes of scheduling supplies on the interstate pipelines, a Marketer may combine in a single nomination the daily requirements of its customers for all market area Aggregation Pools contained within the same Columbia Gas Transmission operating area. However, for purposes of scheduling these receipts by Columbia from the interstate pipeline, separate nominations will be required from the Marketer for each Aggregation Pool, unless Columbia agrees otherwise.

(C) **Aggregation Agreement.** Before commencing service hereunder, Marketer(s) must have executed a service agreement with the Company.

The benefits and obligations of this service agreement shall begin when the Company commences to transport gas thereunder. It shall inure to and be binding upon the successors and assigns, survivors and executors or administrators as the case may be, or the original parties thereto, respectively, for the full term thereof. However, no agreement for service may be assigned or transferred without the written consent of or approval of the Company which shall not be unreasonably withheld.

(D) **Requirements for Participation.** Marketers desiring to participate in the Columbia Customer CHOICE® Program will be evaluated to establish credit levels acceptable to the Company. Marketers not meeting the necessary credit level will be required, at Columbia's option, to provide additional security in the form of a letter of credit, surety bond, cash deposit, and/or appropriate guaranty to participate.

In order to participate Marketers are required to provide the following information:



ISSUED: December 7, 1999

EFFECTIVE: With Service Rendered December 7, 1999

Issued By
G. W. Babin, Vice President

COLUMBIA GAS OF OHIO, INC.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

SECTION VI- Full Requirements Aggregation Service

1. Most recent financial statements;
2. Most recent annual report to shareholders, 10K or 10Q;
3. List of parent company and affiliates;
4. Names, addresses, and telephone numbers of three (3) trade references; and
5. Names, addresses, and telephone numbers of banking institution contacts.

Evaluations will be based on standard credit factors such as previous customer history, Dun & Bradstreet financial and credit ratings, trade references, bank information, unused line of credit, and financial information. Based on the number of standard credit factors met by the Marketer, Columbia will assign a dollar credit level range for each Marketer. Columbia shall have sole discretion to determine credit worthiness based on the above criteria but will not deny credit worthiness without reasonable cause.

A fee of \$50.00 will be assessed for each evaluation. Columbia reserves the right to conduct further evaluations during the course of the program when information has been received by Columbia that indicates the credit worthiness of a Marketer may have deteriorated or that the Marketer's program is exceeding the credit level range previously approved by Columbia. Columbia will review each Marketer's program no less often than monthly, and will compare each Marketer's program against its previously assigned credit level range. Columbia will reevaluate each Marketer's overall credit worthiness on an annual basis. Marketers whose programs exceed the assigned credit level range will be required, at Columbia's option, to provide additional security in the form of a letter of credit, surety bond, cash deposit, and/or appropriate guaranty in order to continue to participate in the program beyond the last established credit level or to enroll additional customers. If additional security is provided by a Marketer, Columbia will assign a new credit level range for the Marketer.

(E) **Code of Conduct:** Each Marketer participating in Columbia's Customer CHOICE® Program shall:

1. communicate to customers, in clear understandable terms, the customers' rights and responsibilities. This communication shall include: (a) the Marketer's customer service address and telephone number; (b) a statement describing the Marketer's dispute resolution procedures; (c) a statement that the Marketer must provide, to the maximum extent possible, the customer with thirty (30) days written notice prior to discontinuing service; and (d) notice that the Program is subject to ongoing Commission jurisdiction.
2. provide in writing to customers pricing and payment terms that are clear and understandable;
3. refrain from engaging in communications or practices with customers which are fraudulent, deceptive, or misleading;
4. deliver gas to Columbia on a firm basis, on behalf of the Marketer's participating customers in accordance with the requirements of the Aggregation Agreement.

RECEIVED

AUG 28 1998

TARIFF DIVISION

Public Utilities Commission of Ohio
Issued pursuant to P.U.C.D. Orders dated June 18, 1998 and August 6, 1998 in Case Nos. 98-549-GA-ATA
and 98-593-GA-COI.

ISSUED: July 31, 1998

EFFECTIVE: With bills rendered August 1, 1998

Issued By
G. W. Babin, Vice President

25. Customer Education Program (CEP) Rider

25.1 Applicability

This Rider shall apply to and become a part of each of the Company's Rate Schedules for Firm Distribution Service and be applied to all Retail Customers, whether System Customers or Direct Customers.

25.2 Purpose

The purpose of this Rider is for the Company to recover the cost of its Customer Education Program to inform and educate natural gas customers regarding the deregulation of the natural gas industry, first approved by Commission order dated October 30, 1998 in Docket No. 8390-U.

25.3 Definitions

For purposes hereof:

25.3.1 Unrecovered CEP Costs – The actual and/or estimated CEP costs, including carrying costs, which have not been, or will be, recovered through the CEP Rider as of the effective date for which the CEP Charge is calculated or recalculated.

25.3.2 Number of Customers – The total estimated number of Retail Customers receiving service under all of the Company's Rate Schedules on the effective date for which the CEP Charge is calculated or recalculated.

25.3.3 Remaining Months – The number of months remaining in the Rider timeframe approved by the Commission from the effective date for which the CEP Charge is calculated or recalculated.



Atlanta Gas Light Company

TERMS OF SERVICE
All Rate Schedules
Fourth Revised Sheet No. 25.2
Effective: April 1, 2001

25. Customer Education Program (CEP) Rider (continued)

25.2 CEP Rider Calculation

The CEP Charge shall be calculated on a per Customer per Month basis to the nearest one-hundredth (1/100) dollar using the following equation:

$$\text{CEP Charge} = \frac{\text{Unrecovered CEP Costs}}{\text{Number of Customers X Remaining Months}}$$

25.3 Current Rate

Effective April 1, 2001, a rate of \$0.00 per customer per month shall be assessed based upon the terms of the Rider.

25.4 Recalculation of Rider

The Company shall recalculate the CEP Charge as it deems necessary to minimize under or over recovery of CEP costs. The frequency of such recalculation shall not be greater than once in any month.

25.5 Program Administration and Cost Recovery Period

The Company shall administer the program for a maximum of one (1) year with costs to be recovered over a two and one half (2½) year period in accordance to the Commission's October 30, 1998 order.
